

**AGROS INTERNATIONAL AND AFFILIATE**

Consolidated Financial Statements

For the Years Ended June 30, 2016 and 2015

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## **Independent Auditor's Report**

**To the Board of Directors  
Agros International and Affiliate  
Seattle, Washington**

We have audited the accompanying consolidated financial statements of Agros International and Affiliate (collectively, the Organization) which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

## **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2016 and 2015, and the changes in net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of functional expenses for Agros International, presented on page 15, is for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Clark Nuber P.S.*

Certified Public Accountants  
January 23, 2017

**AGROS INTERNATIONAL AND AFFILIATE**

**Consolidated Statements of Financial Position  
June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,100,174	\$ 1,078,607
Prepaid expenses and other assets	40,085	52,217
Microloans receivable from community members, net	148,267	178,003
Pledges and grants receivable, net	190,538	208,712
Investments		468,576
Land held for village development	2,115,174	2,147,160
Property and equipment, net	<u>131,641</u>	<u>131,133</u>
<b>Total Assets</b>	<b><u>\$ 3,725,879</u></b>	<b><u>\$ 4,264,408</u></b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 254,958	\$ 302,951
Line of credit	100,000	
Land loan payments	<u>559,468</u>	<u>512,831</u>
<b>Total Liabilities</b>	<b>914,426</b>	<b>815,782</b>
<b>Net Assets:</b>		
Unrestricted net assets-		
Undesignated	(235,013)	435,083
Board-designated for program		20,000
Board-designated for land purchases	149,172	169,094
Invested in land held for village development and property and equipment	<u>115,318</u>	<u>142,719</u>
Total unrestricted net assets	29,477	766,896
Temporarily restricted net assets	2,089,309	1,989,063
Permanently restricted net assets	<u>692,667</u>	<u>692,667</u>
<b>Total Net Assets</b>	<b><u>2,811,453</u></b>	<b><u>3,448,626</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 3,725,879</u></b>	<b><u>\$ 4,264,408</u></b>

See accompanying notes.

AGROS INTERNATIONAL AND AFFILIATE

Consolidated Statement of Activities and Changes in Net Assets  
For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues:</b>				
Contributions and grants	\$ 986,648	\$ 1,189,184	\$ -	\$ 2,175,832
In-kind goods	32,912			32,912
Special events, net of related expenses of \$87,007	60,535	48,700		109,235
Interest income	22,149			22,149
Other income	11,967			11,967
Net assets released from restriction	1,186,069	(1,186,069)		
<b>Total Revenues</b>	<b>2,300,280</b>	<b>51,815</b>		<b>2,352,095</b>
<b>Expenses:</b>				
Program	1,996,672			1,996,672
Administration	339,215			339,215
Resource development	704,808			704,808
<b>Total Expenses</b>	<b>3,040,695</b>			<b>3,040,695</b>
<b>Change in Net Assets Before Losses</b>	<b>(740,415)</b>	<b>51,815</b>		<b>(688,600)</b>
Loan portfolio adjustments (Note 3)	2,996	48,431		51,427
<b>Change in Net Assets</b>	<b>(737,419)</b>	<b>100,246</b>		<b>(637,173)</b>
Net assets, beginning of year	766,896	1,989,063	692,667	3,448,626
<b>Net Assets, End of Year</b>	<b>\$ 29,477</b>	<b>\$ 2,089,309</b>	<b>\$ 692,667</b>	<b>\$ 2,811,453</b>

See accompanying notes.

AGROS INTERNATIONAL AND AFFILIATE

Consolidated Statement of Activities and Changes in Net Assets  
For the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues:</b>				
Contributions and grants	\$ 1,059,735	\$ 1,357,840	\$ -	\$ 2,417,575
In-kind goods	23,545			23,545
Special events, net of related expenses of \$78,851	378,061	68,956		447,017
Interest income	17,002	28,041		45,043
Other income	17,300			17,300
Net assets released from restriction	2,084,861	(2,084,861)		
<b>Total Revenues</b>	<b>3,580,504</b>	<b>(630,024)</b>		<b>2,950,480</b>
<b>Expenses:</b>				
Program	2,321,432			2,321,432
Administration	323,911			323,911
Resource development	776,313			776,313
<b>Total Expenses</b>	<b>3,421,656</b>			<b>3,421,656</b>
<b>Change in Net Assets Before Losses</b>	<b>158,848</b>	<b>(630,024)</b>		<b>(471,176)</b>
Loan portfolio adjustments (Note 3)	(148,388)		(23,796)	(172,184)
<b>Change in Net Assets</b>	<b>10,460</b>	<b>(630,024)</b>	<b>(23,796)</b>	<b>(643,360)</b>
Net assets, beginning of year	756,436	2,619,087	716,463	4,091,986
<b>Net Assets, End of Year</b>	<b>\$ 766,896</b>	<b>\$ 1,989,063</b>	<b>\$ 692,667</b>	<b>\$ 3,448,626</b>

See accompanying notes.

**AGROS INTERNATIONAL AND AFFILIATE**

**Consolidated Statements of Cash Flows  
For the Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ (637,173)	\$ (643,360)
Adjustments to reconcile change in net assets to net cash used in operating activities-		
Loan portfolio losses (recoveries)	(51,427)	172,184
Loss (gain) on disposal of property and equipment	1,494	(11,917)
Depreciation and amortization	53,313	59,437
Loss on land transfers to villagers		(576)
Changes in assets and liabilities:		
Prepaid expenses and other assets	12,132	11,627
Microloans receivable from community members, net	29,736	(27,222)
Pledges and grants receivable, net	18,174	382,467
Accounts payable and accrued expenses	(47,993)	35,339
<b>Net Cash Used in Operating Activities</b>	<b>(621,744)</b>	<b>(22,021)</b>
<b>Cash Flows From Investing Activities:</b>		
Net repayment of notes receivable	51,427	(107,519)
Purchases of property and equipment	(56,475)	(61,341)
Proceeds from sale of property and equipment	1,160	11,917
Proceeds from sale of investments	468,576	
Purchase of investments		(4,607)
Purchases of land held for village development		(814,527)
Land loan payments received from villagers	78,623	73,061
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>543,311</b>	<b>(903,016)</b>
<b>Cash Flows From Financing Activities:</b>		
Net borrowing on line of credit	100,000	
<b>Net Cash Provided by Financing Activities</b>	<b>100,000</b>	
<b>Net Change in Cash and Cash Equivalents</b>	<b>21,567</b>	<b>(925,037)</b>
Cash and cash equivalents, beginning of year	1,078,607	2,003,644
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,100,174</b>	<b>\$ 1,078,607</b>
<b>Supplementary Cash Flow Information:</b>		
Land held for village development purchases in accounts payable and accrued expenses	\$ -	\$ 11,473

See accompanying notes.



## AGROS INTERNATIONAL AND AFFILIATE

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2016 and 2015

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#### Note 1 - Nature of the Organization

Agros International (Agros) was formed in October 1984. Its mission is to break the cycle of poverty for the rural poor by helping them acquire land and develop sustainable agriculture and communities. Agros has provided development assistance to 44 Agros villages (projects) in Guatemala, El Salvador, Nicaragua, Honduras and Mexico, helping more than 1,800 families achieve food security, organize self-sustaining communities, develop agricultural businesses and obtain potable water and other essential needs (unaudited).

Agros is a Washington State nonprofit corporation with headquarters in Seattle, Washington and branch offices in El Salvador, Nicaragua and Honduras.

Agros works with organizations in Guatemala and Mexico, which are governed by separate boards of directors in those countries. Fundación Agros, operating in Guatemala, is a Guatemalan nonprofit corporation with headquarters in Guatemala City, Guatemala. Agros México A.C. is a Mexican civic association with headquarters in Tuxtla Gutiérrez, Chiapas, Mexico. Funds provided to Fundación Agros and Agros México A.C. are included in the detail on the schedule of functional expenses as a part of program activities. The accompanying consolidated financial statements for the years ended June 30, 2016 and 2015 do not include the accounts of Fundación Agros and Agros México A.C. Effective July 1, 2014, the Organization ended grant support to Fundación Agros.

Land Hope Life, an affiliated organization that is controlled by Agros, was incorporated on June 23, 2010, for the purpose of purchasing and holding land in other countries.

#### Note 2 - Summary of Significant Accounting Policies

**Principles of Consolidation** - The accompanying consolidated financial statements include the accounts of Agros and Land Hope Life, collectively referred to as "the Organization". All inter-organization transactions have been eliminated.

**Basis of Presentation** - Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they will be maintained permanently by the Organization. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets, unless use of the related assets is restricted by donors, in which case they are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as releases between the applicable classes of net assets.

## AGROS INTERNATIONAL AND AFFILIATE

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2016 and 2015

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#### Note 2 - Continued

**Noemí Fund** - In October 2003, the Board of Directors authorized the formation of the Noemí Fund (the Fund), to hold gifts in perpetuity to be used for land and housing loans. These gifts are accounted for as permanently restricted net assets unless other donor restrictions apply. Monies from the Fund are advanced to acquire land and purchase building materials. The Fund holds, as its investment, cash, promissory notes and land. Losses on investments may be charged to the applicable restricted net asset class.

**Cash and Cash Equivalents** - For purposes of the consolidated statements of cash flows, the Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization at times maintains cash balances that are in excess of Federal Deposit Insurance Corporation insurance limits. Cash and cash equivalents balances in foreign countries as of June 30, 2016 and 2015, totaled \$56,132 and \$167,245, respectively.

**Receivables** - Accounts, microloans and notes receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

**Pledges and Grants Receivable** - Unconditional promises to give (pledges receivable and grants from foundations) are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

**Conditional Pledges Receivable** - The Organization holds commitments from donors who have agreed to sponsor villages. These commitments will be received over future years as village development progresses. To the extent that individual pledge commitments for a specific time period and amount have been received, they are recorded as pledges receivable. In the absence of a specific promise to give, the Organization considers those commitments to be conditional on future events and recognizes only the current-year portion.

**Concentration of Credit Risk** - Approximately 18% and 20% of the Organization's total revenues were received from one donor for the years ended June 30, 2016 and 2015, respectively. Approximately 74% and 26% of pledges and grants receivable are from three donors and two donors at June 30, 2016 and 2015, respectively.

**Investments** - Investments, consisting of certificates of deposits, are reported at original cost plus accrued interest. These matured during the year ended June 30, 2016.

**Property, Equipment and Depreciation** - All acquisitions of property and equipment in excess of \$1,000 in the U.S. and \$500 outside the U.S. and all expenditures for repairs and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the useful lives of the assets, generally three to seven years for vehicles and furniture and equipment and the life of the lease for leasehold improvements.

**Donated Securities and Other Assets** - Donated marketable securities are recorded as contributions at their estimated fair values at the date of donation. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation.

## AGROS INTERNATIONAL AND AFFILIATE

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2016 and 2015

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#### Note 2 - Continued

**Donated Services** - Donated services are recognized if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. There were no donated services recognized for the years ended June 30, 2016 and 2015.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with its programs and administration. These services totaled more than 8,000 and 10,100 hours (unaudited) during the years ended June 30, 2016 and 2015, respectively. Due to applicable accounting guidelines, these were not recognized as contributions in the consolidated financial statements.

**Use of Estimates** - Management uses estimates and assumptions in preparing consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates. Significant estimates used in preparing these consolidated financial statements include those used in recording land held for development at the lower of cost or net realizable value as well as the valuation allowance established against microloans and notes receivable. It is reasonably possible that the significant estimates used will change within the next year.

**Income Tax Status** - The Internal Revenue Service (IRS) has determined that Agros and Land Hope Life are exempt from U.S. income tax under section 501(c)(3) of the U.S. Internal Revenue Code (IRC). In addition, Agros qualifies for the charitable contribution deduction under section 170(b)(1)(A) and has been classified as an organization other than a private foundation under section 509(a)(1).

**Foreign Currency Translation** - The functional currency of some of the Organization's field offices is the local currency in which the office is located. Assets and liabilities of the offices have been translated into U.S. dollars at year-end exchange rates. Revenues and expenses have been translated at average monthly exchange rates. Any translation adjustments are included in the consolidated statements of activities and changes in net assets.

**Expense Allocation** - The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets and in the schedule of functional expenses. Expenses related to more than one function are charged to programs and supporting services on the basis of benefits received by each function. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. Resource development expenses are expenses related to raising financial support for current and future activities of the Organization. Certain significant program activities, including the extension of credit for agricultural and other productive activities and purchases of land for new village development, are not recorded as expenses but are shown as increases in the corresponding assets.

**Subsequent Events** - The Organization has evaluated subsequent events through January 23, 2017, the date on which the consolidated financial statements were available to be issued.

## AGROS INTERNATIONAL AND AFFILIATE

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2016 and 2015

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#### Note 3 - Microloans and Notes Receivable

Notes for the purchase of land are receivable from Fundación Agros and pay interest at varying rates with terms of ten years from the date of the land purchase, with payments commencing 24 months after the date of purchase. The balances of the notes receivable were \$326,335 and \$363,647 at June 30, 2016 and 2015, respectively. Some of the notes are denominated in the local currency and have been translated into U.S. dollars at year-end exchange rates.

In addition, the Organization makes loans to families in Guatemala, El Salvador, Nicaragua, Honduras and Mexico to help build self-sustaining and thriving communities. The loans are funded by a combination of permanently restricted, temporarily restricted and unrestricted contributions.

Microloans and notes receivable consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Receivables from-		
Organizations (Guatemala and Mexico)	\$ 420,121	\$ 458,243
Villages (El Salvador, Nicaragua and Honduras)	226,906	378,677
	<u>647,027</u>	<u>836,920</u>
Less allowance for doubtful accounts-		
Beginning balance	(658,917)	(478,228)
Write-off of loan balances against the allowance	122,034	
Recovery of prior allowances	38,123	
Provision for loan losses		(180,689)
	<u>(498,760)</u>	<u>(658,917)</u>
Ending balance	<u>\$ 148,267</u>	<u>\$ 178,003</u>

During the year ended June 30, 2016 and 2015, the Organization reviewed the valuation of its notes receivable and microloans receivable. Based on management's programmatic intent, assessed uncollectible amounts, planned restructuring of loans and other factors, management increased the valuation allowances for these assets by a total of \$172,184 as of June 30, 2015. During the year end June 30, 2016, the Organization collected on a portion of amounts due and therefore recorded a loan recovery gain of \$51,427. Corresponding totals for loan portfolio adjustments have been reported in the consolidated statement of activities and changes in net assets for the years ended June 30, 2016 and 2015.

## AGROS INTERNATIONAL AND AFFILIATE

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2016 and 2015

#### Note 3 - Continued

Microloans and notes receivable are presented in the consolidated statement of financial position as follows at June 30:

	<u>2016</u>	<u>2015</u>
Microloans receivable from community members, net	\$ 148,267	\$ 178,003

All of the notes receivable from Fundación Agros are past due at June 30, 2016 and 2015. The following amounts of microloans were past due at June 30:

	<u>2016</u>	<u>2015</u>
30 to 60 days	\$ 2,753	\$ 7,417
61 to 90 days	2,093	11,631
91 to 120 days	7,315	1,974
Greater than 120 days	<u>50,107</u>	<u>135,058</u>
	<u><b>\$ 62,268</b></u>	<u><b>\$ 156,080</b></u>

Maturities on the microloans and notes receivable range from six months to ten years. Allowances for doubtful accounts for microloans and notes receivable are established based on management's programmatic intent regarding pursuing collections, prior collection experience, current economic factors and management's review of individual account balances. Microloans and notes receivable are written off only when they are deemed to be permanently uncollectible and interest continues to accrue until the loan balances are paid in full or written off. Assessed impairment of certain loans is included in the allowance for doubtful accounts.

The Organization is subject to certain business risks that could affect net assets. These risks include a geographic concentration in Nicaragua and Honduras at June 30, 2016 and 2015.

#### Note 4 - Pledges and Grants Receivable

Pledges receivable are discounted at rates ranging from 0.51 percent to 0.86 percent and are due as follows at June 30:

	<u>2016</u>	<u>2015</u>
Less than one year	\$ 110,362	\$ 191,742
One to five years	90,276	26,870
More than five years	<u>1,000</u>	
	201,638	218,612
Less allowance for doubtful pledges	(10,100)	(9,400)
Less discount to present value	<u>(1,000)</u>	<u>(500)</u>
	<u><b>\$ 190,538</b></u>	<u><b>\$ 208,712</b></u>

**AGROS INTERNATIONAL AND AFFILIATE**

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2016 and 2015**

**Note 5 - Property and Equipment**

Property and equipment consisted of the following at June 30:

Asset	Country	2016	2015
Furniture and equipment	United States	\$ 224,075	\$ 183,519
	Nicaragua	47,791	42,993
	Honduras	20,185	17,285
	El Salvador	4,870	6,505
Vehicles	Nicaragua	153,495	148,895
	Honduras	36,556	36,556
	El Salvador	26,747	26,747
Leasehold improvements	United States	11,083	11,083
	Nicaragua	4,731	4,731
		529,533	478,314
Less accumulated depreciation		(397,892)	(347,181)
		<b>\$ 131,641</b>	<b>\$ 131,133</b>

**Note 6 - Land Held for Village Development**

Land held for village development is stated at the lesser of the purchase and development cost of the land or the net realizable value. Net realizable value is the estimated amount that management anticipates villagers will be paying for the land based on programmatic, economic and other factors.

The land is held as inventory on the Organization's consolidated statements of financial position until villagers have completed payment for their individual parcels. Payments are recorded as land loan payment liabilities during the payment period, generally seven to ten years. The cumulative land loan payments received totaled \$559,468 and \$512,831 as of June 30, 2016 and 2015, respectively. At completion of the period, title is transferred to the individual villagers and the cost of the land and accumulated payments are removed from the consolidated statements of financial position.

The parcels of land held in the following countries were as follows at June 30, 2016 and 2015:

Country	2016 Carrying Value	2015 Carrying Value
Nicaragua	\$ 1,785,814	\$ 1,785,817
Honduras	184,328	184,325
El Salvador	145,032	177,018
	<b>\$ 2,115,174</b>	<b>\$ 2,147,160</b>

## AGROS INTERNATIONAL AND AFFILIATE

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2016 and 2015

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#### Note 7 - Lease Commitments

The Organization signed a lease for office space under a noncancelable lease agreement expiring December 2017 with an optional five year extension. The future minimum annual rental payments are subject to escalations of the base rent and are included in the commitments schedule below.

The Organization also has leases for office space in the various countries in which it operates. These leases generally have committed terms ranging from three to twelve months.

Future minimum rent payments under all noncancelable operating leases are as follows:

For the Year Ending June 30,

2017	\$	111,662
2018		<u>50,393</u>
	\$	<u><u>162,055</u></u>

Lease expense for all operating leases totaled \$128,820 and \$134,275 for the years ended June 30, 2016 and 2015, respectively.

#### Note 8 - Line of Credit

The Organization has a line of credit with a bank that allows for total borrowings of \$500,000. The line matures April 11, 2018 and requires monthly payments of interest at a variable rate that was 4.5% at June 30, 2016. The line is secured by a security interest in assets of the Organization and personal guarantees of four current and former members of the Organization's Board of Directors. Total borrowings outstanding on the line were \$100,000 at June 30, 2016.

#### Note 9 - Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Time restrictions	\$ 7,886	\$ 9,800
Program restrictions-		
Village development	972,615	655,594
Land	888,983	908,509
Agricultural and enterprise loans	173,444	247,295
Administration and resource development	45,248	71,248
Other programs	1,133	96,481
Credit fund administration		<u>136</u>
	<u>\$ 2,089,309</u>	<u>\$ 1,989,063</u>

## AGROS INTERNATIONAL AND AFFILIATE

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2016 and 2015

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#### Note 10 - Permanently Restricted Net Assets

Permanently restricted net assets totaled \$692,667 as of June 30, 2016 and 2015. These amounts represent contributions to the Noemí Fund (the Fund) to purchase land and to finance the cost of land and houses for the members of the communities served by the Organization. Ninety percent of each contribution given to the Noemí Fund is held in perpetuity. The remaining ten percent of each contribution is temporarily restricted to pay for direct operating costs and overhead of the Fund. During the year ended June 30, 2015 this Fund was reduced by \$23,796 to account for a valuation loss reserve on the underlying land and notes receivable.

Permanently restricted net assets are invested in the following assets as of June 30:

	<u>2016</u>	<u>2015</u>
Land held for development	\$ 692,667	\$ 692,667

#### Note 11 - Functional Expenses

Functional expenses for Agros International alone (not including the affiliated organization, Land Hope Life) are presented in the supplemental schedule accompanying the consolidated financial statements (page 16). On an unconsolidated basis, for the fiscal year ended June 30, 2016, Agros International's total expenses of \$2,989,743 were expended in the following areas: program activities \$1,945,720; resource development \$704,808; and administration \$339,215. On an unconsolidated basis, for the fiscal year ended June 30, 2015, Agros International's total expenses of \$4,419,534 were expended in the following areas: program activities \$3,319,310; resource development \$776,313; and administration \$323,911. Agros International's expenses for the fiscal year ended June 30, 2015 include \$826,000 of grants expense paid to Land Hope Life.

#### Note 12 - Supported Organization

Agros Mexico, AC is a legally separate Mexican nonprofit corporation supported by the Organization. Transactions with this entity consisted of the following for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Due to Agros Mexico, AC at June 30- Program operations, net	\$ (7,704)	\$ (1,535)
Funds paid for- Program operations	41,272	100,671



**SUPPLEMENTARY INFORMATION**

**AGROS INTERNATIONAL**

**Schedule of Functional Expenses  
For the Year Ended June 30, 2016  
(With Comparative Totals for 2015)**

	Program Expenses							Total Program	Administration	Resource Development	2016 Total	2015 Total
	International Program Development	Credit Fund	Guatemala	Nicaragua	El Salvador	Honduras	Mexico					
Salaries, payroll taxes and benefits	\$ 585,993	\$ 50,579	\$ 4,814	\$ 304,867	\$ 4,115	\$ 44,670	\$ 1,173	\$ 996,211	\$ 194,766	\$ 349,929	\$ 1,540,906	\$ 1,718,443
Project costs and infrastructure	19,921		5,534	307,542	2,400	53,554	511	389,462			389,462	1,162,204
Service teams	114			30,673		15,487		46,274			46,274	82,589
Travel	68,846	8,579	3,736	43,669	1,142	7,399	3,952	137,323	873	27,899	166,095	204,704
Professional services	46,944	30,385	150	23,671	16,705	637	27,776	146,268	56,816	149,809	352,893	429,965
Rent and occupancy	38,013	9	622	26,229	2,400	7,840	1,627	76,740	17,672	60,366	154,778	163,828
Vehicle expense and local transportation	(3,393)	5,771	1,468	27,231	(1,226)	5,453	4,059	41,815	104	460	42,379	57,893
Training, staff development and recruitment	14,036	4,206	263	8,488	226			27,219	50,528	3,727	81,474	118,757
Supplies and postage	6,062	280	140	2,787	138	1,050	262	10,719	1,296	7,940	19,955	29,965
Telephone and communications	21,590	135	157	14,450	109	2,631	455	39,527	3,853	22,822	66,202	73,439
Fees, taxes and licenses	7,803	52		2,313	499	1,459	569	12,695	6,652	22,964	42,311	50,530
Printing and publications	3,374	12		227	66	14	25	3,718	45	32,285	36,048	35,967
Insurance	5,521	138	458	8,984	359	983		16,443	2,672	9,618	28,733	31,398
Equipment rental and maintenance	2,416	79	31	1,145		1,388	7	5,066	1,092	3,933	10,091	13,904
Interest, loss (gain) on currency and other	1,258	1,796	2,011	1,282	179	373	856	7,755	370	4,143	12,268	13,667
Depreciation	5,117			29,270		7,537		41,924	2,476	8,913	53,313	59,437
<b>Total Expenses</b>	<b>823,615</b>	<b>102,021</b>	<b>19,384</b>	<b>832,828</b>	<b>29,564</b>	<b>150,475</b>	<b>41,272</b>	<b>1,999,159</b>	<b>339,215</b>	<b>704,808</b>	<b>3,043,182</b>	<b>4,246,690</b>
Provision for (recovery of) uncollectible loans		(6,004)						(6,004)			(6,004)	155,537
Bad debt losses (recoveries)			(47,435)					(47,435)			(47,435)	17,307
<b>Total Expenses and Losses</b>	<b>\$ 823,615</b>	<b>\$ 96,017</b>	<b>\$ (28,051)</b>	<b>\$ 832,828</b>	<b>\$ 29,564</b>	<b>\$ 150,475</b>	<b>\$ 41,272</b>	<b>\$ 1,945,720</b>	<b>\$ 339,215</b>	<b>\$ 704,808</b>	<b>\$ 2,989,743</b>	<b>\$ 4,419,534</b>

Note: This statement reflects the activities of Agros International only, not consolidated with Land Hope Life. Agros International carries out its program activities both directly and through affiliated organizations. For the purpose of the functional expense presentation above, all activities for which Agros International funds were expended are reported above in their natural classifications.

See independent auditor's report.